

CITY OF HORSESHOE BAY

CITY COUNCIL PUBLIC MEETING

August 22, 2006

The Council of the City of Horseshoe Bay held a Public Meeting at City Hall, located at #1 Community Drive, Horseshoe Bay, Llano County, Texas, August 22, 2006, in accordance with duly posted notice of said meeting. Mayor Lambert called the meeting to order at 3:00 p.m. with a quorum of Council Members present as follows:

Robert W. Lambert, Mayor
James E. Babcock, Mayor Pro Tem
Don Wood, Alderman
John Bird, Alderman
Karen Wines, Alderwoman
Buddy Schrader, Alderman

The posted agenda for this meeting is made a part of these minutes by attachment and the minutes are herewith recorded in the order the agenda items were considered with the agenda subject and item number shown preceding the applicable paragraph.

1. Call to Order and Establish a Quorum: Mayor Lambert called the Public Meeting to order at 3:00 p.m. with a quorum present. Larry Sherwood from the Church at Horseshoe Bay led the invocation. Mayor Lambert then led the pledge of allegiance to the United States Flag and the Texas Flag.
2. Comments from Mayor: Mayor Lambert welcomed the guests and asked that anyone wishing to speak sign in and note the agenda item.
3. Comments from Aldermen: There were no comments from the Aldermen.
4. Public Comments: There were no Public Comments.
5. Recognition of Julie Hanh 10 Year Service Award: Mayor Lambert presented Julie Hanh with her 10 year Service Award.
6. Public Hearing on Proposed Tax Rate of \$.50/\$100 of Taxable Valuation: Mayor Lambert called the Public Hearing to order at 3:02 p.m. He commented on required Public Hearings on the tax rate and the budget. Dick Rantzow requested the Council consider lowering the tax rate to \$.45/\$100. Mayor Lambert stated the council will discuss this at the Budget Workshop September 5, 2006 and encouraged everyone to attend. He then adjourned the Public Hearing at 3:07 p.m.
7. Items to be Removed from Consent Agenda: There were no items removed from the Consent Agenda.

8. Consent Agenda Items: Alderman Wood made a motion to approve the Consent Agenda items as submitted:
 - a. Approve Minutes of the July 24, 2006 Budget Workshop, the July 24, 2006 Subdivision Workshop and the July 25, 2006 Public Meeting
 - b. Final Plat Approval:
 - i. Replat of Lot Nos. 39029 and 39030, Horseshoe Bay Plat No. 39.1 to be known as Horseshoe Bay Plat No. 39.29, Burnet County

The motion was seconded by Alderwoman Karen Wines. The motion passed by unanimous vote (5-0).

9. General Manager's Report: General Manager Mike Thuss reported the typical reports were included in the Council's packet. He stated the City has \$8.6 million in all accounts; and the rate of return is 5.226%. Tax collections are 98.26% year to date. He added the Mayor filed the FY '07 Budget with the City Secretary for the record on August 11, 2006. In the Utility Fund year-to-date revenues are above budget estimates by \$575,000; while operations and maintenance expenses are also above budget estimates by \$99,000; however, there is a positive budget variance of over \$476,000. In the General Fund year-to-date revenues are above budget estimates by \$139,000 while operations and maintenance expenses are under budget by \$76,000 resulting in a positive budget variance of \$216,000. The City has received the arbitrage consultant's report which concluded that the City has no filing or payment to the IRS that needs to be made at this time. A re-evaluation will need to be made next year. Thuss stated he had wanted to complete 95% of the Capital program this fiscal year, however it appears only approximately 86% will be completed and requested a carry over of about 14% to next fiscal year and would ask City Attorney Monte Akers for guidance on municipal code requirements in order to do this. The Water Treatment Plant is complete and the contractors are doing some warranty work. This month we should receive and pay their final invoice including retainage. The Administration Building should start construction in September. The Matern Island Project should be completed no later than September. The completion date for the Waste Water Replacement Project has been revised because of design delays caused primarily by the original line not being where old records reported it to be. This has caused easement, right-of-way and construction scheduling problems. The completion dates for the SCADA and Utility Billing projects have also been revised. The TxDOT relocation/bore project and the City Hall modifications have been completed and the police vehicle authorized last month has been put in service. Letters have been sent to Verizon and TSTAR documenting the City's incorporation and requesting they stop charging Marble Falls and Cottonwood Shores city sales tax to HSB residents. Mr. Leeper with the Hills III subdivision has contacted Mr. Thuss to continue negotiations for an out of city fire contract and they should have something for Mayor and Council at the September 19th meeting. Police Chief Lane gave an update on equipment acquired by various grants. The latest being a \$5,000 night vision device at no cost to the City. Mr. Thuss then invited the Mayor and Council to participate in the Doyle W. Wyatt Memorial Safety Golf Tournament September 30th at Delaware Springs Golf Course. Alderman Wood commented that the Capital Improvement Program has been very successful this year with only 1% change orders on the \$10 million water plant project which is practically unheard of. He also commended the staff for being creative and saving money on projects that would have

otherwise been over budget. The City is also acting as General Contractor on the Central Water Treatment Plant Administration Building. He stated he felt the 86% completion is very acceptable all things considered. Alderman Schrader commended Chief Lane for his work. Alderman Babcock added that if 2007 is like 2006 with so many unforeseen problems it will be very difficult to budget Capital Improvements for the coming year.

10. Preliminary Plat Approval: Mayor Lambert stated there were two preliminary plats for approval on the agenda and that both were being done to accommodate single units. Alderman Bird made a motion to approve. The motion was seconded by Alderman Wood. The motion passed by unanimous vote (5-0).
11. Presentation by Bill Bush of the Enclave at HSB: Mr. Bush explained the proposed design of the Enclave with forty-eight town homes on just over six acres. They will have tile roofs with stucco and native stone exteriors with heavy wood timber trim. All units will have attached garages. Preliminary plat approval is on the September 5, 2006 agenda. If the plat is approved construction is planned to start in late September or early October with construction taking approximately six months. There are twenty-four units in Phase I. Council expressed concern that the added traffic at the entrance on Bay West Boulevard. Alderman Babcock stated there is already concern about the heavy traffic at this intersection. He also said that Council did not anticipate a project of this density being done at this location. He added he would like to see this intersection redesigned prior to going forth with this project. Alderman Babcock asked Mr. Bush if the Enclave developers would consider meeting with Mr. Hurd and developing a traffic plan on how to deal with the increased traffic. He would like to see the developer change the primary entrance from HSB West Boulevard to Hwy. 2147. Alderman Babcock stated the second reservation he had was residents of Bay Country had expressed concern about the buffering between this development and Bay Country. Mr. Bush said they were using a metal and stone fence on the front and in order to provide more privacy a wood fence on the back. There is a total of 13 acres in this area with approximately two acres zoned commercial. Mr. Babcock asked about the number of parking spaces per unit. Mr. Bush stated there were close to 200 parking spaces in the design and that exceeded City requirements. Mr. Bush stated they are quite far along with plans to make a design changes at this time. Mr. Babcock asked Mr. Bush if they could not change the design to have the entrance on Hwy. 2147, perhaps they could provide a plan to redesign the area where their access intersects with Bay West Boulevard. Alderman Bird received confirmation that street layout has been reviewed with fire and police department to assure adequate access to the area.
12. Update from Centex Regarding Waters Development: Mayor Lambert stated Craig Alter has been promoted within Centex to Vice-President of Planning and Development for the Central Division. Tim Welsh is the new Project Manager of The Waters. Mr. Welsh stated the project is progressing at a rapid pace and current plans show all units should be sold within two years and will be completed approximately one year after that. LCRA has approved the construction of a marina with 101 slips however they do not have a time frame on construction of the marina. They have worked with the Resort on the exterior of the units which will be stone, stucco and hardi-board. All buyers have the opportunity to place property with the Resort to manage rental and they anticipate 50% of owners will do this.

13. Allied Waste Contract Renewal: Mayor Lambert stated the staff has prepared a memo highlighting the proposed contract. Alderman Schrader asked if there were other companies available for a competitive bid. After some discussion, Alderman Wood made the motion to renew the contract for the next year and grant the increase for one year with instruction to staff to find out what other local communities are paying and see if there are other companies that will bid the contract. Alderwoman Wines seconded the motion. The motion passed by unanimous vote (5-0).
14. Ordinance Establishing Comprehensive Fee Schedule: Mayor Lambert stated this ordinance was recommended by City Attorney Akers in order to make changing fees in all ordinances easier by only changing this one ordinance instead of each individual ordinance. Alderman Babcock made the motion to approve the ordinance. Alderman Wood seconded the motion. The motion passed by unanimous vote (5-0).
15. Resolution Establishing Use of Certain Voting System: Mayor Lambert stated this is a technicality due to recent Federal and State legislation. Alderman Bird made the motion to approve the resolution. Alderman Wood seconded the motion. The motion passed by unanimous vote (5-0).
16. Ordinance Calling for November 7, 2006 Election:
17. Contract with Llano County Clerk for November 7, 2006 Election Services:
18. Contract with Burnet County Clerk for November 7, 2006 Election Services: Mayor Lambert stated Items 16, 17 and 18 are all intertwined. City Attorney Monte Akers stated this is due to recent legislation and anticipates some changes occurring in the 2007 session. He stated his office in dealing with the two counties and there have been some differences in interpreting the law resulting in having to go to the Secretary of State's office for a decision. Llano County has agreed to do what the SOS office has said is required. Burnet County has not, however he believes they have come up with a workable solution. Horseshoe Bay residents that live in Burnet will be able to vote in any Burnet or Llano county polling place; however Llano County residents will only be able to vote in Llano County. Akers recommended calling the election and approving the contracts with some provisos as discussed today. Mayor Lambert stated he does not feel this will cause a problem because the majority of Horseshoe Bay residents from Llano and Burnet counties vote in Horseshoe Bay at Quail Point for early voting. Alderman Schrader made the motion to approve Items 16, 17 and 18 consistent with City Attorney Akers' suggestion. Alderman Wood seconded the motion. All three resolutions passed by unanimous vote (5-0).
19. Public Hearing Regarding the Proposed Extension of the Moratorium on New Construction in Zone 13, CapRock Zone, and Zone 14, HSB Boulevard Corridor Zone: The Mayor convened the Public Hearing at 4:13 p.m. and stated the temporary moratorium will expire later this month and this is just an extension of 120 days. He then asked if there were any Public Comments, there were no Public Comments and the Public Hearing was adjourned at 4:13 p.m.
20. Reading and Consideration of Adoption of an Extension of the Moratorium on New Construction in Zone 13, CapRock Zone and Zone 14, HSB Boulevard Corridor Zone: Mayor Lambert stated this will extend the moratorium until December 27, 2006 and called

attention to the Findings of Fact and asked if the Council was comfortable with them. Alderman Wood made the motions to approve the extension. Alderman Bird seconded the motion. The motion passed by unanimous vote (5-0).

21. Plan for Public and City Council Review of Resort's Preliminary Plans for CapRock Zone and HSB Boulevard Corridor Zone: Mayor Lambert asked Ron Mitchell to give an update on plans for these zones. He stated they should have a presentation ready for the City by October or November for Zone 14, HSB Boulevard Zone and perhaps defer Zone 13, CapRock Zone until January 2007. He said he feels very comfortable there are no hot items, and there has been a great deal of work put into this and it is very much in line with the City's desires. The Mayor stated plans for public communication of these plans will come before Council for approval.
22. Discussion of Forming a Committee to Lead Evaluation of a Possible Sales Tax: The Mayor reiterated that the City does not need additional revenue and if a sales tax were passed it would result in a reduction in the ad valorem tax and require visitors to the City to pay a portion of the cost of running the City. He would like this to at least be revenue neutral for residents of the City that are also members of the Resort. He also stated this would require an election. Alderwoman Wines asked how the Mayor proposed to select the three members of the committee. His recommendation would be that the applications go through the City Secretary and would be decided at a public City Council meeting by a vote of the Council. The Mayor would not vote. The Mayor would like an analysis done by the committee showing the projected amount of income from a City sales tax and the impact on Horseshoe Bay residents and communicate this to the public through newspaper articles and a public meeting within six months. Alderman Babcock added it would still be the Council's prerogative to make a decision on whether to have an election once they receive the committee's recommendation. Members of the committee would be voted on at the October Council meeting. Alderman Schrader made the motion to form the committee as recommended by the Mayor. Alderwoman Wines seconded the motion. The motion passed by unanimous vote (5-0).
23. Discussion of Forming a Committee to Lead Evaluation of Possible Ordinances Related to Lifestyle Issues: Mayor Lambert said he felt this was a good list of issues for the committee to look at and make recommendations for necessary ordinances. He would like the committee to bring these to the council as they are reviewed. Mayor Lambert asked the Council if they had any items they would like to add to the list and noted that the Council can add to the list at any time, however the committee can not. This would also be voted on at the October Council meeting and would be a one year project. Alderman Bird made the motion to form the committee as recommended by the Mayor. Alderman Wood seconded the motion. The motion passed by unanimous vote (5-0).
24. Establishment of Operating Reserves and a Reserve for Capital Additions: Mayor Lambert stated the Council had a discussion at the Budget Workshop concerning the Balance Sheets of the City as well as the cash reserves available to the City and the philosophy that had been followed by the Lake LBJ MUD. The City is in very good financial condition due to the good financial decisions of the directors of the MUD. The City has to have reserves pursuant to the City's bond agreement. The Mayor recommended establishing a six month

operating reserve in the General Fund of \$1,250,000 and in the Utility Fund to establish an additional operating reserve of \$950,000 which would bring this up to a six month reserve. There would be remaining cash available of \$1,000,000 and that would be made as a Capital Addition Reserve in the Utility Fund. Alderman Wood said that the Waste Water Treatment Plant will need expansion very soon and he feels this will need to be addressed in the 2008 fiscal year and perhaps an engineering report to be done in 2007 fiscal year. Alderman Wood and Alderman Babcock both expressed the opinion that now is not the time to reduce reserves. Alderman Babcock noted the rapid growth of the City and the unknown effect that might have on the City budget. Mayor Lambert stated the additional Capital Reserve is based on the money available as of the end of the last fiscal year however they anticipate additional funds being available at the end of the current fiscal year. Alderman Wood stated the Council will look hard at a possible impact fee however they do not generate a large amount of cash in a short amount of time. Alderman Babcock said they are looking at moving more of the City's income away from property taxes to other forms of income. Alderman Schrader made the motion to approve to establish the additional reserves. Alderman Wood seconded the motion. The motion passed by unanimous vote (5-0).

25. Update Regarding Attorney General's Opinion No. GA-0446 on Chapter 176, Local Government Code – Conflicts Disclosure: City Attorney Akers explained that the state legislature has revised the requirements in Chapter 176 and requires City Officials as well as vendors doing business with the City complete a Conflicts Disclosure Statement. The City is not required to police vendors to make sure they comply. The forms completed by City Officials and vendors are to be placed in the City's files and on the website for an indefinite period of time. It was recommended that Council review a list of vendors the City does business with in order to complete required forms.
26. Adjournment: Alderman Wood made the motion to adjourn the meeting at 5:05. Alderman Bird seconded the motion. The motion passed unanimously (5-0).

APPROVED this 19th day of September, 2006.

/S/
Robert W. Lambert, Mayor

ATTEST:

/S/
Toni Vanderburg, City Secretary